INDEPENDENT ACCOUNTANT’S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors and Management
Sacramento Transportation Authority
Sacramento, CA

We have performed the procedures enumerated in Attachment I, which were agreed to by the
management of Sacramento Transportation Authority (the “Authority”), solely to assist you in
(1) monitoring recipient compliance with applicable Memorandum of Understanding for
Measure A funds between the Authority and the respective entity as it relates to the entity’s
allocation; and (2) monitoring applicable recipient compliance with the Abandoned Vehicle
Abatement Handbook issued by the California Highway Patrol as it relates to the Sacramento
Abandoned Vehicle Service Authority (SAVSA) for the year ended June 30, 2012. The
Authority’s management is responsible for monitoring the recipient entity’s compliance with laws
and regulations applicable to the requirements mentioned above. This agreed-upon procedures
engagement was conducted in accordance with attestation standards established by the American
Institute of Certified Public Accountants. The sufficiency of these procedures is solely the
responsibility of those parties specified in this report. Consequently, we make no representation
regarding the sufficiency of the procedures described in Attachment I either for the purpose for
which this report has been requested or for any other purpose.

We were not engaged to, and did not conduct an examination, the objective of which would be
the expression of an opinion on the required compliance of the Measure A or SAVSA recipient
entities. Accordingly, we do not express such an opinion. Had we performed additional
procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and
management of the Authority, and is not intended to be and should not be used by anyone other
than these specified parties.

James Marta & Company
Certified Public Accountants
November 13, 2012
ATTACHMENT I

PROCEDURES PERFORMED

MEASURE A

At your request, we have performed certain procedures as of June 30, 2012 and for the year then ended with respect to recipient compliance with the applicable Memorandum of Understanding between the Authority and the respective recipient entities. Such procedures performed were as follows:

1. We read the recipient’s accounting system narrative as it specifically relates to the accounting for, and control over, Measure A receipts and expenditures.

2. We read the recipient’s indirect cost allocation methodology, if any.

3. We read the recipient’s methodology for allocating and recording interest related to Measure A receipts and recomputed reported interest income for one quarter for the year ended June 30, 2012 based on the amount set forth in the supporting schedules provided by the recipient entities, if interest was allocated to Measure A funds.

4. You selected certain projects from the Original Measure A Status Report, Measure A Distributions/Expenditures On-going Annual Programs (New Measure A) Schedule and the Measure A Capital Projects Schedule for the fiscal year ended June 30, 2012 as follows:

On-going Measure A

County of Sacramento:
   City Street and County Road Maintenance
   Traffic Control and Safety Program
   Safety, Streetscaping, Pedestrian and Bicycle Facilities

City of Citrus Heights:
   City Street and County Road Maintenance
   Traffic Control and Safety Program
   Safety, Streetscaping, Pedestrian and Bicycle Facilities

City of Folsom:
   City Street and County Road Maintenance
   Traffic Control and Safety Program
   Safety, Streetscaping, Pedestrian and Bicycle Facilities

City of Galt:
   City Street and County Road Maintenance
   Traffic Control and Safety Program
   Safety, Streetscaping, Pedestrian and Bicycle Facilities
   Transit Operations, Maintenance and Safety
   Senior and Disabled Transportation Services

City of Rancho Cordova:
   City Street and County Road Maintenance
   Traffic Control and Safety Program
   Safety, Streetscaping, Pedestrian and Bicycle Facilities
PROCEDURES PERFORMED: MEASURE A (Continued)

On-going Measure A (continued)

Sacramento Regional Transit:
  Transit Operations, Maintenance and Safety
City of Sacramento:
  City Street and County Road Maintenance
  Traffic Control and Safety Program
  Safety, Streetscaping, Pedestrian and Bicycle Facilities

Original Measure A

County of Sacramento
City of Citrus Heights
City of Folsom
City of Galt
City of Rancho Cordova
Sacramento Regional Transit
City of Sacramento

Measure A Capital Projects

Caltrans:
  Highway 50 Bus / Carpool Lanes
  Interstate 80 Bus / Carpool Lanes
County of Sacramento:
  Hazel Avenue Widening
  Bradshaw Road Widening
  Madison Avenue Improvements
  South Watt / Elk Grove – Florin Road Improvements
City of Citrus Heights:
  Antelope Road Widening
  Sunrise Boulevard Improvements
City of Galt:
  Central Galt Interchange
City of Rancho Cordova:
  Folsom Boulevard Streetscape
  Sunrise Boulevard Widening
Sacramento Regional Transit:
  Light Rail Transit – Downtown-Natomas-Airport
  Light Rail Transit – Southline Extension (Phase II)
City of Sacramento:
  Downtown Intermodal Station
PROCEDURES PERFORMED: MEASURE A (Continued)

For the projects selected on the preceding pages, we performed the following:

a. Obtained the Original Measure A Status Report, Distribution/Expenditures for On-going projects or the Measure A Capital Projects Schedule, as applicable for fiscal year ended June 30, 2012.

b. From the detail of total project costs provided by the recipient entities, we haphazardly selected all or 10, whichever is less, expenditures for the fiscal year ended June 30, 2012, and agreed amounts to supporting documentation noting if the expenditure was consistent with the project descriptions in the Expenditure Plan, the on-going Measure A Memorandum of Understanding of the Five-year Expenditure Plans for New Measure A, as applicable.

c. We agreed the amounts in the applicable schedules provided by the Authority for the fiscal year ended June 30, 2012 to the expenditure detail for the fiscal year ended June 30, 2012 provided by the recipient for the selected projects.
SAVSA

We have performed certain procedures as of June 30, 2012 and for the year then ended with respect to the applicable recipient's compliance with the Abandoned Vehicle Abatement Handbook (Handbook) as it relates to the Sacramento Abandoned Vehicle Service Authority (SAVSA) recipient entities. Such procedures were as follows:

1. We read the recipient's accounting system narrative as it specifically relates to the accounting for, and control over, abatement receipts and expenditures.

2. We read the recipient's indirect cost allocation methodology, if any.

3. We read the recipient's methodology for allocating and recording interest and recomputed reported interest income for the year ended June 30, 2012 based on the amount set forth in the supporting schedules provided by the recipient entities.

4. For the fiscal year ended June 30, 2012, you selected the following recipient entities for verification of abandoned vehicle abatement expenditures:

   City of Citrus Heights
   City of Elk Grove
   City of Folsom
   City of Galt

For the programs selected in the step above, we performed the following:


b. From the detail of total project costs provided by the recipient entities, we haphazardly selected all or 10 expenditures, whichever is less, for the fiscal year ended June 30, 2012 and agreed amounts to supporting documentation noting if the expenditure was consistent with the allowable expenditures stated in the Handbook.

c. We agreed the amounts in the SAVSA Quarterly Status Report provided by the Authority for the fiscal year ended June 30, 2012 to the amounts in the Quarterly Status Report and supporting documentations for at least one haphazardly selected quarterly report provided by the recipient.
In connection with the procedures performed on SAVSA and Measure A, the following items came to our attention:

Current Year Findings

2012-01 City of Folsom – Measure A

Interest on unexpended funds – On-going Annual Programs (i.e. “New Measure A”)

Revenue allocations for On-going Annual Programs are provided to the City of Folsom on a periodic basis, regardless of related expenditures reported by the City. Revenue allocations to the City in excess of historic expenditures (i.e. unexpended funds) are summarized below for the fiscal year ending June 30, 2012:

<table>
<thead>
<tr>
<th>On-going Program</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic Control &amp; Safety</td>
<td>$ 198,274</td>
<td>$ 104,459</td>
<td>$ 37,105</td>
<td>$ 24,046</td>
<td>$ 76,221</td>
</tr>
<tr>
<td>Safety, Streetscaping, Pedestrian and Bicycle Facilities</td>
<td>199,548</td>
<td>199,548</td>
<td>172,793</td>
<td>119,626</td>
<td>172,601</td>
</tr>
<tr>
<td>City Street &amp; County Road Maintenance</td>
<td>1,900,224</td>
<td>1,828,150</td>
<td>1,404,193</td>
<td>1,014,844</td>
<td>1,536,853</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,239,046</td>
<td>$ 2,132,157</td>
<td>$ 1,814,081</td>
<td>$ 1,157,416</td>
<td>$ 1,786,675</td>
</tr>
</tbody>
</table>

Per our conversation with a Senior Management Analyst at City of Folsom, while accounting for On-going Annual Programs occurs in a separate fund, no interest is allocated to the balance in the fund.

Section 5, paragraph b of the Memorandum of Understanding between the Sacramento Transportation Authority and the City of Folsom dated June 16, 2011 states: “Entity [City of Folsom] shall keep a separate account for each On-going annual Program. Interest earned on unexpended funds in each account shall be retained in the account and expended only on qualified expenditures for the Program.”

It does not appear that the City of Folsom is in compliance with this element of the Memorandum of Understanding.

Recipient Response

Beginning in FY 13, interest is now allocated to the New Measure A fund.
2012-02  City of Folsom – Measure A

"Original" Measure A Expenditures

During the course of our audit, we reviewed the 1995 Amended Measure A Transportation Expenditure Agreement, dated March 9, 1995, in an effort to determine which costs were eligible to be paid with “Original” Measure A Funds. According to Section 18 of this document allocations for “Original” Measure A Funds are to be made in accordance with the “Entity Annual Expenditure Plan”.

City of Folsom’s Entity Annual Expenditure Plan is inclusive of a line item for “Street Maintenance”. There is no itemized budget or other support for the planned expenditure amount.

In Section 1, paragraph h of the 1995 Amended Measure A Transportation Expenditure Agreement, the following definition is given:

"Maintenance"--shall mean the preservation and keeping of rights-of-way and each type of roadway, structure, safety convenience or device, planting, illumination equipment and other facility, in the safe and usable condition to which it has been improved or constructed, including patching, repairing, surface treating, and joint filling on bituminous surfacing with added materials to provide a total thickness of less than three (3) inches; scarifying, reshaping and restoring material losses; repair of traveled way and shoulders; cleaning, painting and repairing bridges and structures; repainting of pavements, stripings and markings to the same standards; patching operations including base restoration; applying dust palliatives; jacking concrete pavements; rescaling street or road shoulders and side street and road approaches; reshaping of drainage channels and side slopes; restoration of erosion controls; cleaning culverts and drains; removing slides and restoring facilities damaged by slides; mowing and watering; replacing top soil, sod, shrubs, trees, irrigation facilities on street and roadside; repairing curb, gutter, rip-rap, underdrain and culverts and drains; repainting and repairing of signs, guardrails, traffic signals, lighting standards, etc.; servicing lighting systems and street or road traffic control devices; and furnishing of power for street and road lighting and traffic control devices.

As part of our sample, of ten “Original” Measure A expenditures, we identified the following four expenses that were allocated to the “Street Maintenance” project at City of Folsom that do not appear to have been directly used for “Maintenance” as described above:

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Amount</th>
<th>Date</th>
<th>Period Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT&amp;T - Phone Service 7/11</td>
<td>$253.84</td>
<td>8/24/2011</td>
<td>7/1/11 - 9/30/11</td>
</tr>
<tr>
<td>Dell Marketing L.P. - Computer Hardware and par</td>
<td>1,041.62</td>
<td>8/29/2011</td>
<td>7/1/11 - 9/30/11</td>
</tr>
<tr>
<td>Ethan Wade Graphic - Safety Shirts/Sweatshirts</td>
<td>549.16</td>
<td>9/13/2011</td>
<td>7/1/11 - 9/30/11</td>
</tr>
<tr>
<td>Folsom Historic D. - Christmas Tree Lighting</td>
<td>2,000.00</td>
<td>3/29/2012</td>
<td>1/1/12 - 3/31/12</td>
</tr>
</tbody>
</table>

The above expenditures do not meet our understanding of allowable costs under “Original” Measure A.

Recipient Response

The City will deduct $3,844.62 from its 1st Quarter, FY 13 Original Measure A claim to account for the above unallowable costs. In addition, the City will continue to have the Finance Department and the Public Works and Community Development Director to review future claims to ensure expenditures are allowable.
2012-03 City of Galt – SAVSA

1. Methodology for allocation of indirect costs

   The City of Galt uses an indirect cost rate sheet that has not been updated since January 1, 1996 in its calculation of SAVSA reimbursement requests. There is no clear methodology as to how the City arrived at the rates in the indirect cost rate sheet.

   The City applies the rates (hours/dollar amounts) to the number of abatements depending on whether the abatement was private/public and through this formula, arrives at the amount submitted for reimbursement for SAVSA expenditures.

   It is recommended that:

   Management documents a clear methodology on how the salary/equipment cost rates per abatement are established. This should include:

   1. An accurate reflection of average officer hourly pay, to be updated or reviewed annually, based on actual salaries and benefits.

   2. An accurate reflection of equipment costs, based on an inventory of equipment in service related to abatements. These estimates should be reviewed annually to reflect any new costs or eliminate costs that are no longer applicable.

   A clear methodology should also be documented to accurately reflect time allocated per abatement per employee. Time can be kept based on a sample of personnel (officers/clerks) that spend time on abatements. Time sheets can be kept to give a more accurate estimate of actual time applied or an estimable average per inquiry with personnel. Methodology should be documented to be updated and reviewed in subsequent years.

2. Application of Indirect Cost Rates

   We found that the rates used in the calculation of quarterly SAVSA expenditure reports did not match the amounts per the City’s indirect cost rate sheet, in some instances.

   We recalculated the quarterly SAVSA expenditure reports and found the following differences:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Amount per City calculation</th>
<th>Amount per auditor recalculation</th>
<th>(Understatement)/Overstatement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>$9,434</td>
<td>$9,474</td>
<td>($40)</td>
</tr>
<tr>
<td>2nd</td>
<td>4,978</td>
<td>4,998</td>
<td>(20)</td>
</tr>
<tr>
<td>3rd</td>
<td>3,949</td>
<td>3,964</td>
<td>(15)</td>
</tr>
<tr>
<td>4th</td>
<td>4,098</td>
<td>4,108</td>
<td>(10)</td>
</tr>
</tbody>
</table>
Prior Year Findings

2011-01  City of Elk Grove (SAVSA) Quarterly Status Reports

During our review of expenditures, we noted discrepancies in the quarterly reports submitted to the Authority and the City's supporting documents resulting to a net overstatement of $3,565.69. The following are the details of the finding:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Claimed Amount</th>
<th>Verified Amount</th>
<th>Overstatement (Understatement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$22,457.97</td>
<td>$21,780.55</td>
<td>$677.42</td>
</tr>
<tr>
<td>2</td>
<td>24,246.60</td>
<td>18,567.52</td>
<td>5,679.08</td>
</tr>
<tr>
<td>3</td>
<td>11,631.44</td>
<td>14,184.92</td>
<td>$(2,553.48)</td>
</tr>
<tr>
<td>4</td>
<td>18,775.12</td>
<td>19,012.45</td>
<td>$(237.33)</td>
</tr>
</tbody>
</table>

Net Overstatement $3,565.69

Discrepancies in Quarters 1, 2, and 4 arose due to the inaccurate carryover of amounts indicated in the City's supporting documents (i.e. SAVSA Cost Component Calculator and Elk Grove PD Abatement Calls) to the Quarterly Status Reports. The discrepancy in Quarter 3 arose due to the aforementioned inaccurate carryovers as well as arithmetical errors in the calculation of the costs associated with the Elk Grove PD Voluntary and Involuntary Abatement Calls.

Upon inquiry, we noted that there is currently no review process in place relating to the submission of the SAVSA quarterly status reports.

Status: In the current year, we did not note any discrepancies as a result of our procedures.